
SELLING THE COMPANY

We frequently work with entrepreneurs who devote their lives to building an economically successful company. Some are serial entrepreneurs, and over their working lives they are involved with multiple enterprises which they either sell or remain involved in in a marginal way. Others are focused exclusively on a single enterprise and the challenge of deciding when, if, and how to sell it. Selling your company, your life's work, can be daunting.

Most entrepreneurs are fully aware that there will come a time when they must sell, either because the company grows beyond their capacity to manage it or they age to a point where continued management is impractical. In some cases, there are heirs available to continue family ownership, but in many cases they need to sell at a time and price that allows them to enjoy the balance of their lifetime and avoids leaving their heirs with a mess.

A typical situation was one of our very successful clients who created a marvelous company doing business around the globe. The company had a very substantial book of business that created significant enterprise value. Our client had grave concerns about the impact on his many employees, and dearly wanted to insure their well being and the health of his life's work. We counseled the client on the process and helped him put into perspective the when and why of a sale within his personal life goals.

We also analyzed the potential proceeds from a sale, and, working with his accountant, estimated the tax impacts of a transaction. Like most entrepreneurs who know their industry, he already had a general sense of the value of his company and the most likely purchasers. After long conversations examining the potential different outcomes given the economics at the time, the probable future economic conditions, his personal workloads and life agenda, he came to the decision to have us proceed to organize a sale.

The first steps were identifying an investment banking partner with the right skills and experience to manage the selling effort. We surveyed over thirty prospective teams before selecting six that warranted an interview. We arranged to have each of the firms make a presentation, one after another, over the course of long day, thereby allowing our client

to measure them side-by-side. He quickly identify two of the firms as potential partners based how they approached the meeting – each had done considerable preliminary work on valuation and prospective acquirers.

In the end, our clients choose one firm in large part because of the chemistry and personality of the principals. The firm selected demonstrated a history of success and the capacity to carry a deal all the way through to completion. One of the worst fears we shared was beginning a transaction that wasn't completed, with the negative impacts that would fall on the employees, the company, and the waste of time and effort of all involved. Once begun, we required success.

The next steps involved working with attorneys to craft an equitable contract that protected our client and insured favorable deal terms. We needed to seek legal and accounting professionals who specialized in these transactions. The contracts had to fairly represent the interests of our client, the investment bankers, and the potential purchasers. There were many pitfalls to avoid, from onerous escrow requirements to appropriate performance bonuses for increases in sale price.

Once their matters were settled, the investment bankers took over the process, working with the company CFO to create an Offering Memorandum, began surveying the industry to test potential interest, selected a small number of prospective acquirers to incite an auction process, and finally negotiated terms that were agreeable to the client. We stepped to the background, helping the client understand the “what do I get to keep in my pocket” number, and decipher the complexity of earn-outs, escrows, and tax ramifications. It was an emotional, grueling time.

In the end, our client enjoyed a very favorable outcome, with excellent timing of the sale while preserving the integrity of his company and the well being of his employees. Importantly, he now had a secure nest egg that was beyond his lifetime spending needs and could begin a new chapter in his life. We felt very happy for our client and pleased to have achieved his goals. We had found the right partners for the job, it was the right price for a sale, and it ended up being the right time sell for our client and the markets!